



THRIFT SAVINGS PLAN FACT SHEET

Effect of Nonpay Status on TSP Participation

This fact sheet is for employees who are placed in nonpay status (for example, furlough or leave without pay) for one or more pay periods. It explains the effect of the nonpay status on an employee's Thrift Savings Plan (TSP) participation.

This fact sheet does not apply to employees who are in nonpay status performing an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act (IPA) or to employees who are in nonpay status serving as full-time officers or employees of a union. If you are in nonpay status for one of these reasons, see your personnel office for information about your TSP participation.

Can I contribute to my TSP account if I am in nonpay status?

No. By law, employee contributions to TSP accounts must be made through payroll deductions and must be determined by using the basic pay the employee earned for the pay period. Consequently, if you are in nonpay status for one or more pay periods (that is, you receive no basic pay for the pay period), you cannot contribute to your TSP account.¹

What if I am receiving workers' compensation?

Workers' compensation benefits received from the Department of Labor's Office of Workers' Compensation Programs (OWCP) are not basic pay as defined by law. Consequently, you cannot contribute to your TSP account, nor can you make loan payments, while you are in nonpay status and receiving OWCP benefits.

Will I receive agency contributions if I am in nonpay status?

No. Agency Automatic (1%) Contributions made to the TSP accounts of employees covered by FERS² must be determined by using the basic pay earned

by the employees during the pay period. Agency Matching Contributions are made to the TSP accounts of FERS employees only if the employees make their own contributions for the pay period. Consequently, if you are in nonpay status for one or more pay periods, you will not receive agency contributions for those pay periods.

Can I make an open season election if I am in nonpay status?

Yes. If you complete the TSP Election Form (TSP-1) and submit it to your personnel office during the TSP open season, your election will be processed even though no contributions can be made to your account while you are in nonpay status. As soon as you return to pay status, your TSP contributions and, if you are covered by FERS, your agency contributions will begin based on your most recent TSP election.

Can I make interfund transfers and contribution allocations if I am in nonpay status?

Yes. An interfund transfer is the movement of some or all of your **existing** account balance among the

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¹ If you are in nonpay status to perform military service, you may be entitled to make and receive retroactive TSP contributions when you return to pay status. See your personnel office for more information when you return.

² FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

five TSP investment funds. Consequently, you may make interfund transfers just like employees in pay status.

A contribution allocation affects the investment of future contributions and loan payments made to your account. You may make contribution allocations just like employees in pay status, but until future deposits are made to your account, the contribution allocation will have no effect.

Can I receive a TSP loan while I am in nonpay status?

No. Under the TSP loan program, loan payments can be made only through payroll deductions. Consequently, if you are in nonpay status (even though you may be receiving workers' compensation benefits), you cannot receive a TSP loan until you return to pay status.

What if I have a TSP loan and I am placed in nonpay status?

Because loan payments can only be made through payroll deductions, you cannot make loan payments while you are in nonpay status.³ If your absence from duty has been approved, **you must take one of the following actions:** (1) send a copy of your SF-50, Notification of Personnel Action, documenting your nonpay status and its beginning and ending date to the TSP record keeper (the National Finance Center), **or** (2) ask an agency official (your supervisor or your personnel or payroll office representative) to send written notification to the TSP record keeper — on Form TSP-41, Notification to TSP of Nonpay Status, or on agency letterhead — to document your nonpay status and its beginning and ending dates. If your nonpay status is extended, you must provide the TSP record keeper with documentation of the extension.

If you miss correct loan payments for less than 90 days, your loan payment schedule will be extended. Your residential loan must be repaid in full by the eighteenth anniversary of the loan issuance date. Other loans must be repaid in full by the fifth anniversary of the loan issuance date. If you cannot repay your loan within the required time frame, you will be notified by the TSP record keeper.

If your payments resume more than 90 days from the last correct payment, but less than one year from the start of nonpay status, you **must** reamortize your loan. If you do not reamortize your loan, you will have to repay the loan in full. Otherwise a taxable distribution of the unpaid balance and any accrued interest will be declared.

If you do not return to pay status and resume your loan payments within one year, you will have to repay your loan in full by the one-year anniversary of your nonpay status. Otherwise, a taxable distribution of the unpaid balance and any accrued interest will be declared.

For more information about TSP loans and your responsibilities, see the booklet *Thrift Savings Plan Loan Program* (available from your personnel office or the TSP Web site at www.tsp.gov). Questions regarding your loan payments should be directed to your personnel or payroll office. Questions regarding notifications, reamortizations, or taxable distributions should be directed to the TSP record keeper at (504) 255-6000.

Can I make an in-service withdrawal while I am in nonpay status?

Yes. While you are in nonpay status you can request an in-service withdrawal. In-service withdrawals are limited to two types: age-based withdrawals for participants who are age 59½ or older and withdrawals for financial hardship. If you request a financial hardship withdrawal, you must be able to document your financial need and provide supporting documentation for any extraordinary expenses that you list. The funds withdrawn while you are in service are taxable and an early withdrawal penalty tax may apply. Read the booklet *TSP In-Service Withdrawals* for information and rules pertaining to in-service withdrawals.

Can I choose a post-employment withdrawal option while I am in nonpay status?

No. While you are in nonpay status you are still considered a Government employee. Therefore, you are not eligible for the TSP post-employment withdrawal options of monthly payments, a TSP annuity, or a single payment.

³ Application of the rules in the second and third paragraphs of this answer may be different if you are in nonpay status to perform military service. Contact the TSP record keeper at (504) 255-6000 for assistance.